

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6941**

**BILL NUMBER:** HB 1779

**NOTE PREPARED:** Feb 28, 2005

**BILL AMENDED:** Feb 28, 2005

**SUBJECT:** Public Pensions.

**FIRST AUTHOR:** Rep. Buell

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill authorizes the boards of the Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) to establish by rule: (1) how administrative costs of alternative investment programs may be paid; (2) certain valuation dates; (3) investment allocation increments; (4) the contribution allocations date; (5) the annuity savings account distribution date during a month; (6) allows a member with service in more than one retirement fund to elect to receive: (A) a combined retirement benefit from the last fund in which the member rendered service; or (B) a separate retirement benefit from each of the funds the member has qualified to receive a benefit; and (7) allows a fund member who is serving in an elected position, becomes at least 50 years of age, and has at least 30 years of service, to make an irrevocable election to receive the retirement benefit to which the member is entitled while holding the elected position

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** (Revised) *Teachers' Retirement Fund:* The TRF Board of Trustees will determine how administrative fees will be charged. The Board of Trustees also will decide by rule: (1) when the valuation of a member's Annuity Savings Account (ASA) will be completed; (2) the date when a member's selection or change to an existing selection is to be implemented; (3) the investment allocation increments; and (4) the allocation of member contributions. These parts of the proposal do not impose any additional requirements on the Board of Trustees. Any new expenditures for these parts will be dependent upon Board action.

*Background Information on the Teachers' Retirement Fund:* The following is provided to show *potential costs* if the Board were to decide to implement a strategy which included daily valuation, daily changes by phone and/or the web, coordination with a daily pricing agent, Northern Trust. This proposal does

not require the Board to incur any additional expenditures, and the following is provided for illustrative purposes only.

TRF has estimated the annual ongoing expenditures at \$25 per participant, or approximately \$3.6 M for about 144,000 members. This includes the start-up expenditures. The \$25 annual fee per account estimate would cover daily accounting, making changes (by phone and/or the web), production of monthly statements, as well as set-up and coordination with TRF staff, daily pricing agent (Northern Trust), and internal technology platform.

(Revised) *Part 6* will not reduce a member's benefit. It may shift the burden of issuing a benefit check, depending upon what option the member selects.

(Revised) *Part 7* applies to both PERF and TRF. The number of individuals affected by this provision is not known. It would allow a fund member to receive his/her retirement benefit early. The specific impact will depend upon the number of individuals involved and their salaries. [Note: This part of the fiscal note will be updated upon receipt of additional information from the affected funds.]

(Revised) *Public Employees' Retirement Fund*: The PERF Board of Trustees will determine how administrative fees will be charged. The Board of Trustees also will decide by rule: (1) when the valuation of a member's ASA will be completed; (2) the date when a member's selection or change to an existing selection is to be implemented; (4) the investment allocation increments; (5) the allocation of member contributions. The proposal does not impose additional requirements on the Board of Trustees. Any new expenditures will be dependent upon Board action. These parts of the proposal do not impose any additional requirements on the Board of Trustees. Any new expenditures for these parts will be dependent upon Board action.

*Background Information on Public Employees' Retirement Fund*: The following is provided to show *potential costs* if the Board were to decide to implement a strategy which included daily valuation, daily changes by phone and/or the web. This proposal does not require the Board to incur any additional expenditures, and the following is provided for illustrative purposes only.

PERF cost estimates range between \$24.50 and \$29.10 per participant, or a total of approximately \$5.8 M (236,500 x \$24.50 per participant) to \$6.9 M, (236,500 x \$29.10 per participant). This assumes that members make their investment selections electronically via a web page in a similar method by which investment selections are made in the Legislators' Retirement System. The \$24.50 estimate contemplates continuing the current process of the employers submitting PERF contributions on a quarterly basis. The \$29.10 estimate is based on each employer submitting contributions immediately upon conclusion of each payroll period.

(Revised) *Part 6* will not reduce a member's benefit. It may shift the burden of issuing a benefit check, depending upon what option the member selects.

#### **Explanation of State Revenues:**

#### **Explanation of Local Expenditures:**

#### **Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund; Teachers' Retirement Fund.

**Local Agencies Affected:** Local units with members in PERF and local school corporations.

**Information Sources:** Robert Newland, Chief Investment Officer for TRF, 317-232-3868; William Christopher, Director of TRF, 317-232-3869; Bruce Kimery, Acting Executive Director, PERF, 317-233-4133.

**Fiscal Analyst:** James Sperlik, 317-232-9866.